

**PUBLIC DISCLOSURE**

**May 21, 2013**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HAVERHILL FIRE DEPARTMENT CREDIT UNION**

**CERT # 67710**

**75 KENOZA AVENUE  
HAVERHILL, MASSACHUSETTS 01830**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

|              |  |
|--------------|--|
| <b>NOTE:</b> | This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution. |
|--------------|--|

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Haverhill Fire Department Credit Union (the Credit Union)**, prepared by the Division, the institution's supervisory agency as of **May 21, 2013**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

An institution in this group has a satisfactory record of meeting the credit needs of its membership, including low- and moderate-income members, in a manner consistent with its resources and capabilities.

This evaluation is based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$296 million, adjusted annually. A summary of the Credit Union's performance is provided below.

- The Credit Union's average net loan to share (LTS) ratio for the past eight quarters was 52.9 percent and is considered reasonable. The net LTS ratio is primarily influenced by the size of its membership, its resources, and its loan product line.
- The Credit Union's distribution of borrowers reflects reasonable penetration to low- and moderate-income borrowers given the characteristics of its membership.
- No CRA-related complaints were received during the evaluation period.

### **SCOPE OF EXAMINATION**

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-law provisions are not based upon residence are permitted to designate its membership as its assessment area.

This evaluation considered the Credit Union's lending from January 1, 2011 through December 31, 2012. The Credit Union's primary lending consists of consumer loans. The four categories of consumer loans offered by the Credit Union are unsecured personal loans, new vehicle loans, used vehicle loans, and home improvement loans.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Haverhill Fire Department Credit Union is a financial institution chartered by the Commonwealth of Massachusetts in 1933. As of March 31, 2013, the institution had total assets of \$18,467,159. The Credit Union has a single full-service office located at 75 Kenoza Avenue in Haverhill, which is located in a moderate-income census tract.

The Credit Union provides financial services to active and retired public safety employees of the towns comprising the Northern Essex County Mutual Aid Network and their families.

The Credit Union offers limited online services which members can use to view daily account balances, make transfers and pay bills. Office hours are convenient and appear to be accessible to all members.

As of March 31, 2013, the Credit Union's net loan portfolio totaled \$8,727,548, or 47.3 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of mortgage real estate loans/lines of credit at 40.0 percent, followed by new vehicle loans at 20.6 percent, and used auto loans at 18.5 percent.

The Credit Union was last examined for compliance with the CRA by the Division on October 10, 2006. That examination resulted in a CRA rating of "Outstanding."

There are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its membership.

### **Description of Assessment Area**

In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's by-laws, membership "...is limited to those who are public safety employees, present and retired of the towns comprising the Northern Essex County Mutual Aid Network, their immediate families, and associations composed of persons eligible to membership...Immediate family is defined by the By-Laws to include, spouse, children, parents, brothers, sisters, mother-in-law, father-in-law, sister-in-law, grandparents, and grandchildren."

As of March 31, 2013, the Credit Union's membership totaled approximately 1,889 individuals.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

Small Institution CRA evaluation procedures were utilized to assess the CRA performance. These procedures utilize the Lending Test. Since the Credit Union defined its assessment area as its membership, this evaluation considered the institution's performance pursuant to the following criteria: loan-to-share (LTS) ratio, lending to borrowers of different incomes, and record of taking action in response to CRA complaints and a fair lending review.

Overall, the Credit Union's performance under the Lending Test is considered "Satisfactory." This rating indicates Haverhill Fire Department Credit Union's lending performance demonstrates a satisfactory responsiveness to the credit needs of its membership.

### **LOAN-TO-SHARE (LTS) ANALYSIS**

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans and evaluates its appropriateness.

The Credit Union's net LTS ratio as of March 31, 2013 was 53.6 percent. The Credit Union's average quarterly net LTS ratio was 52.9 percent and was calculated by averaging the previous eight quarterly net LTS ratios between June 30, 2011 and March 31, 2013.

During the evaluation period, the increase in both loans and shares was commensurate. Over the period under review, loans increased by 10.5 percent and shares increased by 8.0 percent. The manager of the Credit Union attributed the low net LTS ratio to members seeking to obtain loans elsewhere to get more competitive interest rates. The manager also indicated that because the Credit Union offers favorable interest rates on shares, members utilize the Credit Union primarily as an institution for savings. In addition, the Credit Union only offers consumer loans, which by nature are lower in dollar volume.

For evaluation purposes, the Credit Union's net LTS ratio was compared to four similarly situated financial institutions.

| <b>Table 2 - Net Loan-to-Share Ratios</b>     |  |                                       |
|---|--|---------------------------------------|
| <b>Institution</b>                            | <b>Net LTS Ratio (%)<br/>as of 3/31/13</b> | <b>Total Assets<br/>as of 3/31/13</b> |
| Gloucester Fire Department Credit Union       | 86.4                                       | \$529,649                             |
| <b>Haverhill Fire Department Credit Union</b> | <b>53.6</b>                                | <b>\$18,467,159</b>                   |
| Lowell Firefighters Credit Union              | 43.7                                       | \$16,121,246                          |
| Revere Firefighters Credit Union              | 17.2                                       | \$5,984,494                           |
| Worcester Fire Department Credit Union        | 36.4                                       | \$39,432,449                          |

*Source: NCUA 5300Statement of Financial Condition as of March 31, 2013*

As shown in Table 2 above, the four other credit unions' average quarterly net LTS ratios ranged between 17.2 percent and 86.4 percent. At 53.6 percent, the Credit Union's average LTS is greater than three other credit unions. Based on the foregoing information, the Credit Union's asset size, resources, and the credit needs of its members, the Credit Union's net loan-to-share ratio is considered reasonable.

## DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of consumer loans by borrower income level was reviewed to determine the extent to which the Credit Union is addressing the credit needs of its members. The Credit Union achieved an adequate penetration among borrowers of different income levels based on a comparison to the median family incomes for the Peabody Massachusetts Metropolitan Division (MD), which was estimated to be \$87,100 in 2011 and \$88,300 in 2012.

The table below reflects the distribution of a sample of the Credit Union's loans for 2011 and 2012; and the distribution of families in the Haverhill MSA by income designation.

| <b>Table 3 - Distribution of Loans by Borrower Income</b> |             |              |             |              |   |
|---|-------------|--------------|-------------|--------------|---|
| <b>Median Family Income Level</b>                         | <b>2011</b> |              | <b>2012</b> |              | <b>Distribution of Families by Income Level</b> |
|   | <b>#</b>    | <b>%</b>     | <b>#</b>    | <b>%</b>     | <b>%</b>  |
| <b>Low</b>  | 4           | 40.0         | 1           | 10.0         | 21.9  |
| <b>Moderate</b>   | 3           | 30.0         | 3           | 30.0         | 18.7  |
| <b>Middle</b>   | 1           | 10.0         | 2           | 20.0         | 25.6  |
| <b>Upper</b>  | 2           | 20.0         | 4           | 40.0         | 33.8  |
| <b>Total</b>  | <b>10</b>   | <b>100.0</b> | <b>10</b>   | <b>100.0</b> | <b>100.0</b>                                    |

*Source: Credit Union Loan Data for 2011 and 2012*

A sample of 20 loans from 2011 and 2012 were reviewed for income distribution. In 2011, 40.0 percent of loans were made to low-income borrowers and 30.0 percent were made to moderate-income borrowers. In 2012, 10.0 percent of loans were made to low-income borrowers and 30.0 percent were made to moderate-income borrowers. Overall, 25.0 percent of loans were made to low-income borrowers and 30.0 percent were made to moderate-income borrowers.

Because the sample of loans reviewed were predominantly consumer loans, the income relied upon in making the credit decision was that of only one borrower. Comparing the member's income with the median family income inflates the levels of lending to low- and moderate-income borrowers because the median family income typically includes the income of two individuals.

Based on the above information, the Credit Union meets the standards for satisfactory performance.

## RESPONSE TO CRA COMPLAINTS AND FAIR LENDING

The Credit Union did not receive any CRA-related complaints during the evaluation period. As a result, this performance criterion was not weighted heavily.

### ***Fair Lending Policies and Procedures***

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based upon a review of the Credit Union's performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Credit Union approved all loan applications during the evaluation period. No practices that would result in disparate treatment were noted.

The Credit Union has a second review for denied loan applications. Any loan declined by the Credit Committee is sent to the Board of Directors for a second review.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 75 Kenoza Avenue, Haverhill, Massachusetts 01830."
- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.